

haven't had any new investment in this recovery and in the process keep our own economy going.

We will never have a better time to deal with Social Security and Medicare by setting aside the lion's share of this surplus to do so or to provide for all Americans to have the opportunity to save, to invest, to create a share of wealth, something most Americans can't afford to do, even with the enormous improvement in the stock market.

And this is also for our children. I said yesterday—I want to say again, if we buy in the privately held debt and obligate the repayment of the bonds to the Social Security Trust Fund and to Medicare, we will reduce publically—debt held by the private citizens to the lowest percentage of our economy since 1917, before World War I. In 15 years—today, when your Members of Congress vote on the budget, they'll have to set aside over 13 cents of every dollar you pay in taxes to pay interest on the debt. In 15 years, that Congress will only set aside 2 cents on the dollar, if we do this.

Can you imagine what our successors will be able to do with 11 percent of your tax money? If we have a slowdown in the economy, they'll be able to afford a tax cut. If we have a crisis in education, they'll be able to deal with it. If we need to dramatically increase our investment in medical research or if we have some new security threat, they'll have the money to invest in it and we'll still be strong. And I could go on and on and on. That's what this is all about, and it will change the stories. It will change the future of the country. So I ask you to keep your energy level high, to keep your sights high, to realize that rarely do a whole people get a chance to help make the world their children and grandchildren will live in and to make it a better place. And in the process, recognizing humbly that we cannot begin to foresee everything that they will face, we will at least be giving them the tools with which to face the challenges we do not know.

That is our obligation. It is perhaps fortuitous, perhaps fated, that it occurs at the end of this century and the end of this millennium. But Hillary's theme for this occasion, "Honoring the past and imaging the future," both require us to take these steps. That's

what your presence here will enable us to do.

So I ask you to leave here with confidence, I ask you to know that the President and the First Lady feel a gratitude to the people of New York, the city and the State, that is inexpressible. But the only way we know how to express that gratitude is to seize this moment, and I want you to help us do it.

Thank you, and God bless you.

NOTE: The President spoke at 9:40 p.m. at the Le Cirque Restaurant. In his remarks, he referred to Caroline Kennedy Schlossberg; Steve Grossman, national chair; Leonard Barrack, national finance chair; Gov. Roy Romer of Colorado, general chair; Joseph J. Andrew, national chair-designate, and Beth Dozoretz, national finance chair-designate, Democratic National Committee; New York State Democratic Chair Judith Hope; former Congressman Herb Klein; Sheldon Silver, speaker, New York State Assembly; Myra J. Irvin, manager, section 8 rental assistance program, Hope, Arkansas Housing Authority; and elementary school student Gerald Mejia.

Remarks to the American Association of Retired Persons National Legislative Council

February 3, 1999

Thank you, and good morning. Thank you, Mr. Perkins—or, good afternoon. Don't tell anybody. [Laughter] Don't tell anybody I didn't know what time it was. [Laughter]

Thank you, Mr. Perkins, for your memory of that—I did say that, about counting. Mr. McManus, Tess Canja, Margaret Dixon, John Rother, and Horace Deets: thank you especially for representing the AARP so well in dealing with the White House over the last 6 years.

I was glad to be invited to come over here today. You know, it's rare that a President gets to speak to an organization of which he's a member. [Laughter] And as I said repeatedly a couple years ago, I had mixed feelings about that, when you called my attention to the fact that I was aging. [Laughter] But I don't have mixed feelings about the record the AARP has established for 40 years, calling attention to the challenges of aging to all Americans.

Those challenges, today, are more profound than ever as we look forward to the baby boom becoming a senior boom, the number of seniors doubling by 2030. We owe it to 21st century America, to the children and the grandchildren of the baby boom, as well as to all the seniors, to meet those challenges and to meet them together.

I remember, in 1992 when I was a candidate for President, I came to your convention in San Antonio and talked about the kind of America I wanted to work with you to build, an America in which we honor our obligations to older Americans without burdening younger Americans, an America with its fiscal house in order and its future shining brightly. When I took office, we charted a new course to achieve that kind of America with fiscal discipline, more investments in our people, more trade for our goods and services around the world.

In the past 6 years, the American people have worked hard and come far. We know now that we have the longest peacetime expansion in history: nearly 18 million new jobs; wages rising at twice the rate of inflation; the highest homeownership in history; the lowest welfare rolls in history; and now, the lowest peacetime unemployment rate since 1957. Last year, for the first time in three decades, the red ink turned to black with a \$70 billion surplus. We project one slightly larger than that this year and projecting them on out for about a generation, as we have ended the structural deficits that caused our national debt to quadruple between 1981 and 1992.

I want to thank you for your hard work over these past 6 years, for standing strong for bipartisan progress on the issues of great concern to you. Now, I ask you to stand with me and to say, we must meet the great challenges of the next century. We must use this prosperity; we must use this confidence; we must use this projected surplus to save Social Security, to strengthen Medicare, to meet the challenges of the aging of America.

In my State of the Union Address, I laid out a four-point plan to do that: saving Social Security; strengthening Medicare; providing tax relief to help Americans save for their own retirement; and a tax credit to help families with long-term care for aging, ailing, and

disabled relatives. These will help our country to honor our duties to people today and to uphold our responsibility to future generations.

On Monday I sent my new balanced budget to Congress—the first budget of the 21st century—to implement this plan. First, in the budget we dedicate the lion's share of the surplus to saving Social Security and to strengthening Medicare. Both are important, and I'd like to explain why.

I proposed that we invest 62 percent of the surplus to save Social Security, and the surplus—excuse me, for the next 15 years. I am very pleased that Members of Congress in both Houses and both parties have agreed that this is the right thing to do. As you know, I have proposed investing a small portion of the Trust Fund in the private sector, to do it in a way that any private or State government pension would do. I agree with AARP that we absolutely have to insulate any investment of the surplus from political influence. And I believe we can, just as other public pension funds do.

I was in New York last night, talking to several people there in the investment community who came up to me and said they thought I was right, and they hoped that we wouldn't let initial criticism stop us from offering a plan which would demonstrate to the American people that you could run this investment just like any other public pension investment is run. And I am confident that we can do that.

If we do this, we can earn a higher return and keep Social Security sound for 55 years. Now, all of you know that from the beginning we have measured the financial health of Social Security by asking if it will be sound for 75 years into the future. I do believe we have to take steps to strengthen Social Security for 75 years. I have looked at the options. Believe me, it's a lot easier to go from 55 to 75 than it is to go from where we are now, 2032 to 75.

I also believe we have to improve the program by reducing poverty among elderly women who are twice as likely to be poor as married couples on Social Security. I believe we should eliminate the limits on what seniors on Social Security can earn. This costs the Trust Fund some money in the short run,

but over the long term it will actually strengthen the retirement systems of the country. And more importantly, it will strengthen the quality of life of people in their later years.

Now, doing these things will require some difficult choices, but they are clearly achievable. You know basically what the range of options is, and I know what it is, as well. To make them, it is clear what we have to do. We have got to work together across party lines to make these decisions. We have to work together across generational lines to make these decisions. But think of how we'll feel if we have Social Security secure for 75 years, if we lift the earnings limit, and if we do something to reduce the deeply troubling rate of poverty among single elderly women, who are growing in numbers at a very rapid rate.

I have told the American people and Members of Congress in both Houses of both parties—I've met with dozens of them, literally—that I am ready to make these choices and to make them with them, and it is time to get on with the job. Now, I feel pretty good about where we are with that, because of the initial positive support for setting aside the surplus portion for Social Security. I wanted to come here today to tell you what I said in the Union I was very serious about—I do not think it is enough. We all know that Medicare is going to have financial trouble well before Social Security does, unless we do something about it.

Now, if you look at—where is my chart? There it is. *[Laughter]* What I propose is to take 62 percent of the surplus, which you see there for Social Security—maybe I'll bring it up a little closer. *[Laughter]* You may be able to see it just fine, but I can see better from here. *[Laughter]* And then to take 15 percent, about a little less than \$1 in every \$6 of the surplus, and commit it to Medicare.

Now, some of those who agree with us on Social Security do not agree that we should do this. They would use the entire rest of the surplus for tax cuts. I believe we can only meet our responsibility to the future by saving Social Security and Medicare. Now, President Kennedy, who first proposed Medicare, once said, "To govern is to choose." And so we should have a great na-

tional debate about the choices involved in managing this surplus. After all, we haven't had one in 30 years, and it's a little unusual for us.

Yesterday we learned of a proposal that would make a very different choice about what to do with the surplus. The plan would spend well over \$1 trillion over the next 15 years on a tax proposal that would benefit clearly the wealthiest Americans, who have, I might add, done quite well as the stock market has virtually tripled in the last 6 years. I'm happy about that; we should all be. But we ought to look at this proposal against that background. It would do this before Medicare has been secured and in a way that would prevent us from spending 15 percent of this or investing 15 percent of this surplus in Medicare.

Now, to govern is to choose. I believe that's the wrong choice. I believe this is the right choice. You, the American people, and the United States Congress will have to decide. This is the latest in a rather long series of large and risky tax proposals that we have heard over the years. If we had adopted even one of the large ones, we wouldn't have the surplus we enjoy today.

We cannot return to the old policies of deficit and debt. Quite apart from our obligations to deal with the aging of America, the strength of our economy is premised on our demonstrated discipline and driving down profligate deficit spending, driving down interest rates, getting private investment up, generating opportunities for the American people.

I believe the American people should have tax relief. In a few moments I'll talk a little bit about what I think the best way to do that is. I believe there are things we can and we must do to help families. And I believe our targeted tax cut for the USA account is especially important. I'll say more about it in a moment.

But first of all, anyone who hopes to invest the surplus or to spend it on other programs or to spend it with a tax cut, must first tell America's families: What is your plan to preserve and strengthen Medicare in the 21st century? I was always taught from childhood, as most of you were, that you may want to do a lot of things, but you have to do first

things first. To me, Social Security and Medicare, with their looming financial challenges, are the first things, and we have to take care of them first.

I want to work with you to strengthen Medicare. I want to work with the results of the Medicare Commission that Senator Breaux is chairing. In the bipartisan balanced budget we reached in 1997, we extended the life of the Medicare Trust Fund by 10 years. But no one seriously believes this is adequate, particularly with more and more people qualifying for Medicare.

To stabilize Medicare, we should extend its life until 2020. To truly strengthen Medicare for the long term, we will have to take further steps. That means committing a percentage of the surplus to the Trust Fund. It also means committing ourselves to meaningful reforms that will meet the demands of the 21st century.

I am frank to tell you that some people have said, "Well, the President, by committing this amount of money from the surplus to Medicare, to the Trust Fund, is trying to convince people that we can just go on forever without making any changes in Medicare." That is simply not true, and I don't want to pretend that that's true. But neither do I believe we should be in the position of making reforms or changes that we might later regret, simply because we haven't stabilized the Trust Fund when we have the funds to do it. These funds should support meaningful reform and prevent permanent damage to Medicare and to the people who depend upon it and are entitled to rely on it.

So here's what I think we should do, with regard to at least basic principles, as we look forward to the 21st century Medicare program. Did they change the chart? Good. *[Laughter]*

First, Americans should be able to count on Medicare and know it will be there when they need it. I have proposed to use, as I said, about one of every \$6 in the surplus for the next 15 years to just simply guarantee the soundness of the Medicare fund until the year 2020. Without these new resources, Medicare spending would have to plummet significantly below the private sector average. No one believes we can have that happen

without seriously weakening a program that millions of older Americans need.

Second, Americans on Medicare should be able to count on a modern, competitive system that maintains high-quality care and top-notch service by drawing on the best private sector practices.

Third, Americans on Medicare, especially Americans with lower incomes, should be able to count on a defined set of benefits and protections without having to worry about excessive new costs they can't begin to afford.

Fourth, Americans on Medicare should be able to count on a benefit that many have long waited for and that will actually cut our cost over the long run and lengthen life and lengthen the quality life: prescription drugs.

Now, I believe we ought to use the savings that reforms in Medicare can create to provide this prescription drug benefit. Yes, it will be more costly on the front end, but over the long run it is bound to save money. It will keep people out of the hospital. It will keep people away from more expensive medical procedures. It will lengthen life, and it will lengthen the quality of life.

I want to thank especially Senators Kennedy and Rockefeller for their leadership on this issue. I look forward to working with members of both parties. But keep in mind, within these principles, my view of Medicare is: take 15 percent of the surplus; make sensible reforms; add the prescription drug benefit. All three will be required to truly strengthen Medicare for the 21st century.

Now, as I said before, we know the American people have worked very hard to replace the era of budget deficits with an age of budget surpluses. They deserve to benefit from that, and they deserve some tax relief. The real question is: What kind of tax relief and how much should it be? What are the other competing demands for the country? Again, to govern will be to choose.

I think we should use a percentage of the surplus to give Americans tax relief that strengthens working families, that encourages savings and the sharing of our Nation's wealth among a broader range of Americans. And that is why I have proposed that we set aside—we're back to the chart now—12 percent of the surplus or, over 15 years, \$536

billion, to establish USA accounts, Universal Savings Accounts, that give working Americans a chance to save for the future. These accounts would basically involve the Government giving a tax credit that would be a cash match for a certain amount of savings by Americans who save, with extra help for Americans who are lower income working families who have less ability to save on their own.

Now, all of you know that when Social Security was set up, it was never viewed as the sole source of income, ideally, for retirees. Although, unfortunately, it still is the sole source of income for a large number of people. We need a country in which we have a sound Social Security system, a sound set of pension options—and all of you know how the pension marketplace has been changing, from defined benefits to defined contributions—and we need, thirdly, a vehicle which promotes more private savings.

The USA account is designed to give tax relief—which, I might add, would be considerably greater tax relief for middle income families than most of the other proposals I've heard that cost a lot more money—but tax relief in the form that actually promotes personal savings, more secure retirement, and gives people who otherwise would not have it a chance to have a savings account which would give them the opportunity to hook into the creation of wealth in America, and to own a part of America's wealth-creating enterprise. I think it's very, very important.

I have also proposed \$1,000 tax credit to help pay for the long-term care needs of families who are caring for aged, ailing, or disabled family members. We know that long-term care needs will increase. Frankly, I would like this tax credit to be even larger. But I believe if we start now, within our other obligations to fix Social Security and Medicare and the other competing claims and responsibilities of the Government, I believe that this will become an integral part of the way we manage long-term care and will be a strong part of a bipartisan American consensus for how we should support long-term care over the long run. So I very much hope that will pass.

For middle income families I have also supported tax relief for child care, for work

related expenses for disabled Americans, for further tax relief from the interest payments on student loans, and tax relief to businesses which help their employees start retirement programs. We've worked very hard for 6 years to stabilize the existing retirement systems and to facilitate the establishment of retirement programs by more small- and medium-sized businesses for whom the old laws were quite a hassle and a lot of trouble and actually a lot of startup costs, so we're working very hard on that.

Now, this is the kind of tax relief that I think is good for the country. I have proposed tax relief to individuals and corporations who will invest money in areas of high unemployment in America, in inner cities and rural areas, to bring private enterprise to create jobs and to generate more national growth and more national wealth.

This is the first time, at least in 30 years, when we've had a level of prosperity and the resources necessary to actually get free enterprise into the inner-city and rural areas that still have been left behind by the economic expansion. And I hope you will all support that, because, keep in mind, that helps the whole economy. We have to keep finding new ways to grow this economy, even with a low unemployment rate, that doesn't spark inflation. And this is clearly the best way we can.

Now, I think this tax relief is good for America. We can afford it. It is all paid for, all this tax relief I mentioned. Except for the USA accounts, every other bit of this tax relief I mentioned is paid for in the balanced budget. It has nothing to do with this surplus. It will not have anything to do with undermining our fiscal strength.

I simply think we have to use the surplus in a way that honors our most profound responsibilities to our parents, to our children, to our grandchildren. And I think that we cannot waste a penny of it until we have saved Social Security and Medicare for the 21st century.

As I pointed out in the State of the Union Address, there is another enormous benefit that will come from saving the surplus in this way. It will enable us to buy back a lot of the national debt held by the public. And that is very important. Why? In 1981 our

total national debt amounted to about 26 percent of our annual income. In 1992 it had quadrupled in dollars, and it was about half our national income. When I got the budget charts, it was projected to go as high as 75 or 80 percent of our national income, a very dangerous situation.

Now, the national debt has dropped from 50 percent down to 44 percent of our income, but if—if—we save the money I recommend for Social Security and for Medicare for 15 years, our national debt will drop to 7 percent of our national income. That's the lowest level since 1917, before the United States entered World War I.

Now, what does that mean in practical terms to an average family? It means that we will have lower interest rates, lower home mortgage rates, lower car payment rates, more investment, a dramatic increase in national savings, and more economic growth. It also means that as we have all the financial instability you see around the world—and I want to make it clear that the financial instability, for example, we saw in Asia came primarily not out of irresponsible Government spending policies—a lot of those people had balanced budgets—but there was just turmoil in the financial markets because of banking systems and investment patterns. That undermines our ability to grow, when our trading partners get in trouble.

We need to know that we have some insurance against that sort of trouble here at home, so we can keep plugging ahead, even as we try to help our friends around the world get back on their feet and start growing again. So this is an enormous insurance policy.

The last thing I want to tell you is this: You can be thinking about what your successors around this table will be debating 15 years from now. Today, when we draw up a budget, the first thing we have to do is take interest payments on the debt off the table. Right? Some of you may own that debt; you may have Government bonds. We've got to pay you before we can do anything.

Today, that takes over 13 cents of every single tax dollar. Fifteen years from now, if we do this, it will take 2 cents of every tax dollar. Once we secure Social Security and Medicare, think what you could do with the difference in tax cuts, or investments in edu-

cation, or whatever you think it ought to be spent on. This is a very important issue.

So, 7 years ago, I said to you that if we worked together we could leave our children a nation that is stronger, freer, and wealthier than the one we inherited. Today, we actually have the chance to do this. Today, we have a chance to deal with the aging of America, a challenge facing every advanced society on Earth, in a way that is dignified, that has genuine integrity, that will strengthen not only the lives of seniors but will strengthen the lives of their children and grandchildren. It is an enormous opportunity and an enormous responsibility. I ask you to join with me to make sure that our country meets that responsibility.

Thank you, and God bless you.

NOTE: The President spoke at 2 p.m. at the Willard Hotel. In his remarks, he referred to John McManus, national legislative council chair, Joseph Perkins, president, Ester Canja, president-elect, Margaret Dixon, past president, John Rother, legislation and public policy director, and Horace B. Deets, executive director, American Association of Retired Persons (AARP).

Statement on Representative Richard A. Gephardt's Decision Not To Seek the Presidential Nomination

February 3, 1999

Democratic Leader Gephardt and I had a good meeting this morning. He and I discussed his decision, and I feel he made the choice for the right reasons. I am pleased he will continue to focus on an agenda that will strengthen our Nation for the 21st century: saving Social Security and Medicare, strengthening public education, maintaining a strong economy, passing a Patients' Bill of Rights.

Dick has been a key ally for the past 6 years, and I know he will continue to be for the next 2. His leadership has been central to so many of the successes the Nation has enjoyed these past 6 years: from the 1993 economic plan to family and medical leave to expanding health care coverage and raising the minimum wage.